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SUBJECT

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1. Elements opposing the Peruvian government, particularly the Communists and Apristas, have seized upon the government's recent food-subsidy-removal and wage-freezing decrees to foment further ill-feeling against the government. Several labor leaders involved in the protest strikes of streetcar conductors and textile mill workers are under arrest. To avoid disorders that might occur in markets as a result of increased prices, additional police have been stationed throughout Lima and the suburbs.

- 2. The Peruvian government is reported to be muzzling press criticism of congress and opposition to the new economic measures. Eugenic Batista, editor of <u>Mundo Grafico</u>, and Octavio Mejia Loayza of <u>Baluarte Democratico</u>, have been arrested and publication of their small papers suspended.
- 3. Congress will reportedly adjourn next month after approving the petroleum legislation. The new mining code will probably be pigeon-holed for the session. Several congressmen have estimated that the mining code will deprive the government of some sixty million soles per year in export taxes which would not be compensated for by increased income and excess profits taxes.
- 4. Political activity in general continues to increase. The reorganization of Union Revolucionaria (UR) is proceeding slowly because of lack of funds. Jose Barco Pena and Dr. Alberto Ferrandiz are directing the reorganization as the leader of the Party, Luis Alberto Flores, is still ill.
- 5. The greatest political activity is centered in Arequipa in southern Peru. The Communists, followers of ex-president Bustamante, and dissident Apristas are attempting to form a new labor political party in that region,

This document is hereby regraded to CONFIDENTIAL in accordance with the letter of 16 October 1978 from the Director of Central Intelligence to the Archivist of the United States.

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